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# CLOSING THE WORLD'S FACTORY

## *The future of the Pearl River Delta during global recession*

This paper was initiated as a response to travelling from Hong Kong to Qinmo, a rural village in the North West of Guangdong Province in Southern China, where we are currently undertaking several architectural projects. These projects are pilot projects involving a collaboration between Hong Kong based charities and donors and local PRC village officials, teachers and the Ministries of Education and Construction. Unlike typical school building projects occurring in China, where the emphasis is on expediency and building provision through the proliferation of standard building types, our approach is to create highly specific educational models that take on additional programmes such as agriculture or public space which respond to the specific local village context. Despite their small scale these micro-insertions reveal larger processes relating to China's urban-rural divide and the implications of China's economic reformation.

The journey to these sites through China's urbanized frontier town of Shenzhen revealed a diverse landscape that alternated between conditions of urban and rural fabric and blurred, ambiguous territories that can be attributed to the massive transformation of the Pearl River Delta over the last 30 years, creating urban centres with populations greater than some of the largest cities in the Western world. Fuelled by the relatively buoyant global economy and the West's continued desire for mass-produced goods, this period of unparalleled growth is now under threat from the impact of global recession. This paper makes an attempt to understand the processes that have created a particular form of urbani-

sation linked to globalized industrialization and to describe this urban condition at the cusp of inevitable change.

### PRD

The Third Plenum of the Eleventh Central Committee of the Chinese Communist Party (CCP) meetings of 1978 initiated a new era of reform in China with Deng Xiao Peng as its key instigator. Structured around 4 Modernizations—agriculture; industry; national defence; and science and technology—the reforms brought about a loosening of state control and an engagement with foreign entities at a governmental and commercial level. These reforms represented China's gradual 'opening up' and in this sense it allowed the processes of globalisation to play a critical role in China's development. Initially the reforms were centred on initiating rural changes, restructuring the collective farm system by creating incentives for farmers to branch into other sectors and also allowing them to sell any surplus produce over the required state quotas at market prices. This shift from the collective to the individual was also reflected in industry allowing factory managers to have more control over their workforce, output and potential side-line industries and to also produce beyond state-quotas. Rhetorically "capitalist" forces were used to trigger "socialist production".<sup>1</sup>

This stirring of market forces at the level of rural peasants was matched by a new era of foreign policy. Engagement with the United States signalled a new opening of trade relations: at the same time the U.S completely severed diplomatic ties with Taiwan, China ordered planes from Boeing and signed a deal with Coca Cola allowing the sale of their product in China. Taiwan itself was pragmatically seen as a model for economic growth; in 1979 it had only 8% of the PRC's total population, yet 6 times its GNP<sup>2</sup>. The Taiwanese had created Export Processing Zones that created favourable conditions for trade exports stimulating an influx of foreign investment. This model was appropriated and re-branded by Deng Xiao Peng as Special Economic Zones (SEZ) of which four were launched in 1979. Shenzhen was one of these. Although just a small fishing village in 1979, Shenzhen was strategically located directly across the border from Hong Kong, by then an established global financial centre.

Through these shifts in policy, Deng Xiao Peng foresaw the potential for China to act as fertile territory for the expression of late capitalism in built form. The

1 Spence, Jonathan D.: *The Search for Modern China*, W. W. Norton & Company, New York London, 1999, Ch. 24, Redefining Revolution.

2 Ibid., p. 632.

continued commoditisation of goods, worldwide consumption and expanded field of production centres made possible through globalization prioritized affordable and available land, cooperative governmental control, and an abundance of cheap labour. This labour was fuelled by the growing migrant population that began to flock into the new centres of production of the SEZs. This was further encouraged by a later policy in 1983 that allowed rural citizens to work in designated urban areas legally without changing their citizen status. In 1984 Document Number 1 brought about additional policy changes that further evolved market forces. Again these were embedded in rural organizations allowing collective investment into joint enterprises and for villagers to have control over land use and development rights. These initiatives were instrumental in setting up the specific forces promoting urbanisation through rural agents. The interconnectivity between local rural collectives, the economic desirability of the SEZs and the forces of the global market created the conditions for unprecedented urbanization. Shenzhen SEZ acted as a mediator between global entities and local enterprises with rural collectives or individuals acting as opportunistic and entrepreneurial agents for industrial production, land use contracting, or indeed property development. In 1984 the Pearl River Delta was formalized as one of three development triangles alongside the Min River Delta (Fujian) and the Yangzi River Delta (Shanghai) targeted for continued economic growth. This stimulated competition between cities to gain foreign investment with satellite towns such as Dongguan directly undercutting costs of Shenzhen, allowing the city to develop extremely fast. Spurred on by the globalisation of markets, the PRD became the World's Factory, exposing the simultaneous horror and attraction attributable to the creation of instant cities with a floating itinerant population in Guangdong Province alone in excess of 25 million.<sup>3</sup>

Such unbridled urbanisation related to industrialisation has not been witnessed in this intensity since the advent of the world's first industrialised city, 19<sup>th</sup> century Manchester. If Manchester exhibited a specific form of urbanization related to industrial processes in the 19<sup>th</sup> century, we can see an equally specific form of urban growth occurring in Detroit in the 20<sup>th</sup> century. Both these cities emerged from particular industrial contexts that shaped their urban form. In each case globalisation became an increasingly important emergent force that acted to transform each city through periods of boom or bust. It is our intention to consider the urbanisation processes in Shenzhen and Dongguan as part of this lineage: as a study of the 21<sup>st</sup> century City of globalised industrialisation.

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3 Population Census Office of Guangdong Province 2002: pp. 50–51.

### Urbanisation and Industrial Growth: Historical Context

Between 1750–1900 Manchester was a city that emerged as a bi-product of untrammelled capitalism arising from the industrial production of cotton. It was the first time the processes of the city and urbanization became directly linked to the processes of industrialization. Operating like a borderless SEZ, Manchester and its region had loose governmental controls, an open economy for investment and entrepreneurship, a constellation of existing trades from weavers to engineering companies as well as an influx of cheap labour from Ireland. The period of invention in technology furthered production methods setting up new social relations between worker and industrialist through the mechanisms of the factory and the warehouse and between 1774–1801 the population trebled.<sup>4</sup>

The graphic portrayal of the city of Manchester in 1853 by Engels<sup>5</sup> described a city organized according to the inequality produced by these new social relations; the slum dwellings of migrant workers located behind the facade of merchant warehouses protected the new bourgeoisie from having to witness the conditions endemic to the new system.

The key characteristics of this industrial revolution—the coupling of cheap labour alongside mechanic invention—together with increased global influences engendered Manchester’s inevitable downfall. The end of the First World War opened up new markets and released control of textile production in British colonies such as India, bringing competition to Manchester’s textile trade. The increased possibility of global competition as well as technological advances in the U.S. set about a slow burn of economic decline that was to continue throughout the 20<sup>th</sup> Century. The further decentralization of factories and suburbanisation after World War II, coupled with large-scale urban planning strategies promoting satellite towns and tabula-rasa housing developments attempted to reconfigure Manchester’s industrial legacy. However the continued demise of the city was predicated on the city’s inability to compete with new global industrial processes, seeking cheaper available land and cheaper labour markets.

If Manchester fell victim to the first phase of globalisation, then Detroit was a casualty of phase two. Detroit’s rapid urban growth was in direct correlation to the boom of the motorcar industry particularly in line with new mechanisms of productivity brought about by Ford’s mass-assembly line. The influx of migrant

4 See Hall, Peter: “The First Industrial City: Manchester 1760–1830”. In: *Cities in Civilisation*, Pantheon Books, New York, c1998.

5 Engels, Friedrich: *The condition of the working class in England* / Translated and edited by W. O. Henderson and W. H. Chaloner. Macmillan, New York, 1958.



*Fig. 1: Downtown Detroit, 2002.*

labourers from America's South as well as from Canada, England, and Poland meant that in 1900, 1 in 3 Detroiters were immigrants. Further waves of migration occurred due to the economic attraction of Ford's \$5 basic wage and 5 day working week. In 1917 Ford's River Rouge Plant was the World's largest factory employing 100,000 workers. Unlike Manchester, the workers now had money to consume; creating an economic cycle of productivity and consumption that defined the workings of market capitalism. Indeed Ford's dream was "to build a car for the great multitude".

Post-war decentralization was exacerbated by the Federal Highway Act of 1956 extending the highway infrastructure allowing simultaneous suburbanisation and relocation of factories. Coupled with racial tension and housing policies that favoured homogeneity and annexation, the city was gradually abandoned, suffering a 50% loss of population from 1950-90 with the city centre changing from being 85% white to 85% black. The industrial processes also evolved characterizing the second phase of globalisation into a more networked and sub-contracted model. Not only were factories located in suburban areas but also parts could be manufactured elsewhere according to cheaper labour, raw materials and specializations. The increased reliance on global markets also made the industries more susceptible to global economic changes; the oil crisis of the 1970s as well as increased competition from Japanese carmakers decimated Detroit's manufacturers and furthered the city's decline (fig. 1).

The examples of Manchester and Detroit signify both the development of urban growth related to specific sectors of industrialization (textiles and the motorcar), and the effect of globalisation, in terms of production and in terms of the adverse susceptibility of the marketplace. Both cities exhibited extreme forms of urban shrinkage that left their city cores abandoned, with a legacy of vacated industrial factories, warehouses and plants. In this context Shenzhen and Dongguan can be considered as examples of a third phase of urbanisation related to industrialisation that has been defined by, if not constructed from, processes of globalisation. What differentiates Shenzhen and Dongguan from their predeces-



*Fig. 2: Urban periphery,  
Dongguan, 2009.*

sors is that urban processes are intertwined with rural processes to the extent that rural agents are active participants in the creation of urban fabric.

Unlike Manchester and Detroit, which exhibited an urban crisis as a result of decentralisation and suburbanisation, Dongguan and Shenzhen have no centre: they are already created as a decentralized sprawl. In addition, the mechanisms of urbanisation originating in the rural produce a specific form of differentiated urban fabric creating incoherent adjacencies between banana trees and high rise developments, remnants of fish ponds and factories (fig. 2).

As rapidly as they have been urbanized the cities of the PRD are now facing the impact of global recession. Given the reliance on the West's continued demand for consumer products to sustain this growth it is unsurprising that it is estimated that since the advent of the downturn almost 2 million people have left Dongguan over a 6 month period to return home. The question is whether this dramatic event presents a sudden urban crisis for the cities of China's Pearl River Delta or if this is in fact a consequential and expected outcome of the market driven forces, which these cities exemplify. Nowhere else have cities been so directly built on capitalistic principles albeit these cities are the result of experiments in capitalism by a socialist regime.

### **Rural Capitalism**

China has always relied on the power of its masses. The socialist revolution was built around the identification with the rural. With a rural population totalling 700 million, the reforms of the Deng Xiao Peng era propelled these farmers into new roles as potential market entrepreneurs, a form of *Rural Capitalism* that fuelled the growth of new urban China. Under the current framework of the commune system, rural land is owned collectively, something that is not possible for urban dwellers who lease land from the state. The differential between urban and rural dwellers is reinforced by the *Hukou* or household registration system that dates back to the Mao era, stipulates different rights for urban and rural citizens, mostly to the detriment of rural households, with urban citizens being privileged for health, education and welfare benefits. However the fact that rural dwellers



own land, even collectively, with increased freedom of land use, gives the farmers of China an inherent capitalistic edge and financial bargaining tool.

Since the 1990's the PRD cities such as Guangzhou, Shenzhen, Zhuhai and Foshan have begun reforming this system even further to speed the conversion of farmland into urban land. These actions transformed the existing "collective ownership system" into what was strategically termed the "rural shareholding co-operative system". In the region of Dongguan, as a result of implementing these reforms from 2004–2006, nearly 3000 shareholding cooperatives have been established. These co-operatives are essentially business entities with shareholders, allowing farmers to conduct business freely with outside investors and developers. Also, as wealth is accumulated primarily through land development, it facilitates a better system of returns and better control over land appreciation. One could argue that even though the farmers are still limited in terms of individual ownership, they now have the status of corporate shareholders. This mechanism in effect created 3000 new corporations with substantial capital in the form of prime land.

### **Market Urbanism**

Dongguan is an administrative region situated in the Pearl River Delta. Similar in size to neighbouring Shenzhen and Guangzhou, it is mostly defined as rural territory yet is one of the densest factory agglomerations in the world. The registered population is only 1.6 million but its real population is estimated being closer to 10 million. It is also one of the richest cities in China. Though essentially urban, the official rural status of most of Dongguan has allowed for it to develop in a uniquely capitalistic manner far in advance of the other cities in the PRD. The huge work force is made up primarily of migrant labour freely circulating from factory to factory. This seemingly random landscape seems to promote fluidity above all else. Analogous to how the global economy needs fluidity of capital in order to function, the *market urbanism* of Dongguan relies on the fluidity of capita. The constant supply and free movement of labour is a major incentive for factories. There are many channels for sourcing labour: private companies operate large employment centres where higher-end jobs are posted, sometimes companies that require large numbers of factory workers recruit directly from vocational schools in other provinces of China, and word of mouth between villagers encourages migration to factories.

Focusing on a township in Dongguan called Changping, one can easily see that gated factories and gated communities proliferate as self-reliant systems of work and leisure, with no relation to their external context. The factory complexes pro-





*Fig. 3: Yuyuan Factory Town, 2009.*

vide all public spaces, recreational facilities and housing. As well as the factories, Dongguan has the highest number of luxury hotels in the PRD, ranking third in all of China behind Shanghai and Beijing. The hotels become the live-in homes of foreign investors and are compacted with all programs, from sex to golf accessories. Such is the regular flux of foreign businessmen that entire gated communities become dedicated to the maintenance of second wives and families.

Although Dongguan is a virtual landscape of global corporate brands, it is clearly not a global city. The corporate inhabitants of this city are not interested in what goes on outside of the gates of organized labour and production. For a city that exceeds the population of London it lacks urbanity. Compared to other developing cities asserting their global status through edifying skyscrapers, this city has built no skyscrapers—for a city of nearly 10 million inhabitants it is extremely flat.

### **Urban-Rural Fabric**

Yuyuan High Tech Optoelectronics Estate was founded in 1993 by Taiwan Baocheng Group, the largest shoe manufacturing enterprise in the world as a controlled factory complex with 18 Taiwanese factories producing shoes and electronics. A gated factory complex, it is organized to be self-reliant, complete with a health centre, sports fields, shops and restaurants. During its peak there were as many as 100,000 workers. Currently the number has dropped to 40,000 as a result of the downturn, resulting in the closing of commercial facilities, and the vacancy of factory worker's quarters.<sup>6</sup> Ms. Chen, originally from Gansu province opened a Sichuan-style restaurant in 2007. Since New Year the job losses have impacted her business and others with 10 shops and restaurants closing down in the same street. In order to attract tenants, Yuyuan has cut rents from 5,400 RMB per month to 3,000 RMB per month. In an interview with a young worker, Ms. Yin<sup>7</sup>

<sup>6</sup> Interview with local resident Mrs. Chen, 20 March 2009.

<sup>7</sup> Interview with local worker, Ms. Yin, 20 March 2009.



*Fig. 4: Batou Village, 2009.*

said that despite job losses recruitment is still continuing, however this seems premised on the replacement of dissatisfied workers rather than on expansion. There are about 10,000 workers in her shoe factory working over nine hours a day, five and a half days a week for a wage of 1,100 to 1,300 RMB per month. The current pressure of the marketplace is forcing factory owners to demand more of their workers for less; those that leave are soon replaced (fig. 3).

Two other case studies, Batou village and Jianshazhou village, illustrate different scales of land development from the point of view of rural development. Batou village was incorporated into the urban jurisdiction of the district, which created the stimulus for the village committee to lease a large tract of land to an outside developer. In return the villagers received two forms of compensation: an apartment unit will be given to each family in the new residential towers and the village committee will also distribute a share of the rental fee, roughly 200 RMB per month. At present the development is only partially complete leaving a residual patchwork of agricultural land, still farmed by the villagers for bananas, water spinach and strawberries, growing between residential slab blocks (fig. 4).

In Jianshazhou Village, part of the agricultural land was sold to a factory over 10 years ago. In anticipation the villagers built houses on their own small piece of land as a means to make profit from leasing them out to migrant workers. Unfortunately, the factory abandoned its project midway and has left the villagers and their half-built homes in limbo. At the same time the villagers developed two high-rise blocks for sale to urban dwellers. The patchwork urban fabric is completely incoherent—part ruin, part new build enclave, part demolished factory, and part agricultural plots (fig. 5).

### **Investment Farmers**

These processes demonstrate the transformation of collective village enterprises from agricultural producers to micro-developers. These commercial enterprises have been developing projects in conjunction with larger developers or independently building 3–4 story blocks for migrant workers with shops and restaurants



*Fig. 5: Jianshazhou Village, 2009.*

on the ground floor. In turn, the shops are generally leased out by starting businesses, often by former migrant labourers that have saved up enough capital from their years of factory work. It is important to remember that 30 years ago there were only farmers. Now a slow process of social and economic differentiation accompanies the formation of uncertain urban territory. This economic reform has created divisions of wealth that infiltrate everyday life and habits. The custom of handing out cigarettes alongside one's business card whenever you meet a new person is indicative of wealth according to the brand of cigarette one smokes and therefore offers to others. Brands are status symbols with prices varying from 7 RMB to 50 RMB a pack, used to signify whether you earn 1,000 or 5,000 RMB per month. This simple formality at every business dinner typifies the gradual process of economic differentiation for this new class of Chinese businessmen.

### **Future Speculations**

The characteristics as described above of third phase industrialization linked to globalization are very different from the preceding examples of Detroit and Manchester. In this context will the effect of recession at the scale predicted in the PRD create an unprecedented urban crisis for Chinese cities similar to the decimating shrinkage that occurred in Detroit and Manchester? Or is the system itself flexible and adaptive? Will the newly produced urban territory be sacrificed and abandoned with the countryside simply re-absorbing the workers? It is too still early to tell, however what seems to be clear is that unlike Detroit and Manchester, the crisis will not be a crisis of the core in relation to the periphery. The dual processes of suburbanization and decentralization of industries leading to an abandonment of the core profoundly affected both of these cities. In the case of the urban territory in cities such as Dongguan, the urban processes are rooted in an already sprawl-like condition—there cannot be a crisis of the core when the city itself has no definable centre. If anything, the future of such cities concerns itself with how to re-centralise and begin to provide something that constitutes an urban centre. Unfortunately in Dongguan this leads to the iconic construction of

vast civic plazas, iconic theatres designed by foreign architects and new government headquarters: symbols of centrality yet missing the textured richness of a variegated urban fabric. The recession may provide the opportunity for further attempts to organize these cities. However, the key problem is to recognize these urban aggregations as having their own characteristics and qualities rather than to try and make them fit to a generic idea of civic centrality.

On a larger scale, the economic reforms and rapid urbanization over the last thirty years in China have exacerbated the urban-rural division amongst its population. This is further demarcated through the registration policy separating those who are Hukou-registered and those who aren't with different rights and services available to each group. Recent policies introduced by the government indicate a desire to reduce the agricultural workforce by 300 million people through continued urbanisation to begin to re-address the balance of economic disparity between the urban rich and the rural poor. However, as we have demonstrated, the driver of such urbanisation has been the growth of China's export market to consumers in the West. As the recession slows this market-driven process, China has no alternative but to try to stabilize its own economy by relying less on its export market and trying to encourage domestic consumption. In fact domestic spending compared to GDP has declined by 10% to just 33% of GDP from 1997 to 2007 and compares to figures of 53% India, and 58% for Brazil.<sup>8</sup> New policies to encourage spending are being tested that include government discounts on goods such as TVs and domestic appliances as well as a consideration to overhaul the land rights policy which could allow rural dwellers to use their land as equity, therefore freeing up capital for investment or consumption.

The urban-rural tension in China and the different rights of citizens has played a major role in the rapid urban growth and economic change within the last thirty years and has given rise to the creation of a blurred urban-rural territory, instigated by complex global forces and opportunistic farmer-developers. It is this very tension between the urban and the rural, which is now becoming a key issue in how the future of this urban landscape will develop during conditions of worldwide recession.

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8 Huang, Yasheng: "Reviving China's Rural Miracle", In: *The Guardian Weekly*, 22.05.09., p. 19.